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Approved By:
Stephen Wixom

Prepared By:
Kakuyu Obara

Report Highlights:

Japan's total broiler imports in 2010 are expected to decrease by 3% from last year to 680,000 MT. Reduced imports should help to run down high levels of stocks carried over from the previous year. Brazil, the single largest supplier of bulk broiler meat cuts (bone-less) to Japan, will be impacted most. Thailand and China, two dominant suppliers of cooked broiler meat products, are expected to maintain their continued presence in 2010 supported by solid demand for prepared foods.

Executive Summary:

Broiler consumption is projected to remain strong in 2010, however competition with other inexpensive food items will likely decrease total consumption from the previous year. Total broiler imports in 2010 are expected to decrease further, by 3% from last year to 680,000 MT. Reduced imports should help to bring down the high level of stocks carried over from the previous year. Brazil, the single largest supplier of bulk broiler meat cuts (bone-less) to Japan, will be impacted the most. Thailand and China, two dominant suppliers of cooked broiler meat products, are expected to maintain a strong presence in the market in 2010, supported by relatively solid demand for prepared foods.

Commodities:
Poultry, Meat, Broiler

Market Overview

With the impact of the economic recession still prevailing in Japan, it is difficult to predict next year's outlook for Japan's broiler market at the present point in time. Despite a slightly positive economic growth forecast for 2009, the high jobless rate and negative income growth is still hampering a real recovery. In the early part of 2010 post expects that Japan will utilize surplus broiler stocks that carried over to beginning stocks from the previous year. The situation will not only force domestic producers to adjust their outputs, but most likely lead to reduced broiler imports. This report is an update to (JA8061).

Quantities listed in the text are made on the basis of Product Weight and no conversion rates are used (unless specified otherwise).

- Domestic Broiler Meat – dressed whole, bone-in
- Imported Broiler Meat – Customs Clearance Basis (boneless and bone-in combined, but the majority is boneless)
- Imported Prepared Broiler Products – Customs Clearance Basis
- Stocks – Product Weight (mostly boneless) – Include small amount of spent hen stocks, no broiler specific stock data are available.

Note: Outline of Japan's Broiler Market Structure

Broiler meat comprises over 90% of the Japanese poultry meat market. In general, Japanese consumers prefer leg meat (bone-less) over breast meat. Nearly half of total imports are "prepared (or cooked) products of broiler meat", mainly supplied by Thailand and China. The Government of Japan (GOJ) has maintained a suspension on imports of broiler meat from these two countries due to persisting outbreaks of HPAI (Highly Pathogenic Avian Influenza). Domestic broiler meat maintains the majority share of sales in the retail sector. Japan's food service sector utilizes large quantities of imported raw bulk cuts, the bulk of which are from Brazil. Japan was once a major market for U.S. bone-in leg cuts, including those to be processed into prepared products after entry into Japan. However market share has decreased over the past two decades due to competition from other suppliers.

2010 Broiler Market Outlook

Previous Year Surplus to be Reduced in 2010

Tangible improvements in the real economy are expected to take some time, particularly with the current high rates of joblessness and negative income growth that has persisted since 2009. The situation favors lower priced food items, and broiler consumption is projected to remain at 1.96 million MT, the same level as the previous year. However, surplus carryover stocks from the previous year, coupled with increased competition from other low-priced meats (pork and beef) and processed meat products (ground meat products, sausages, etc.), will likely force the market to make some adjustments in supply in early 2010.

As a result, total imports in 2010 are projected to decrease from the previous year by 3% to 680,000 MT. Bulk broiler meat cuts imports are expected to decline by 5% to 360,000 MT, while prepared and processed products remain unchanged at 320,000 MT. Japanese importers are expected to import less than the previous year through the early part of 2010, though the final import figures will depend on how quickly unsold imported stocks are exhausted, and the degree to which Japan's food service market improves. Brazil, the single largest supplier of bulk bone-less broiler cuts, will likely be affected the most by the decline in imports. Thailand and China are expected to maintain a strong presence in Japan's prepared foods market segment, however it remains to be scene if China can regain market share that was recently lost to Thailand (JA8061).

Domestic producers are also expected to start responding to weak market prices of the previous year by adjusting their outputs in 2010. Thus, total domestic broiler production is projected to decrease slightly to 1.255 million MT.

2009 Broiler Market Situation Update and Outlook

A Slumping Food Service Market to Result in Surplus in 2009

Japanese consumers are expected to continue to favor lower priced broilers, as was the case in 2009, with total consumption projected to increase by 2% over 2008. However, due to a deepening economic recession and stagnant population growth, Japan's broiler market has been affected by a slowdown in consumption since late 2008. The food service segment, where the majority of bulk imported broiler cuts are distributed, has been significantly impacted. The fast food segment has been the only exception in the entire food service sector to maintain positive sales growth until the first half of 2009. However, chicken products have started to face competition with other inexpensive substitutes such as ground meat products and sausages in 2009. Consequently, large poultry stocks from 2008 were carried over to 2009 (beginning stock was estimated up 50% at 176,000 MT) and June monthly ending stock this year was still 34% higher than the same month last year (See Table 4).

As a result of the high levels of rollovers in stocks, Japan's total broiler imports are expected to decrease by 5% to 700,000 MT (Bulk Broiler Meat Cuts: slashed by 11% to 380,000 MT, Prepared and Processed Products: up by 3% to 320,000 MT.) Even then, stock levels are not expected to decline significantly before the end of the year, and are estimated to decrease only slightly from the beginning of the year to 171,000 MT.

Imports of Bulk Broiler Meat Cuts to Decrease in 2009

Trade sources relay that many Japanese importers are facing heavy financial burdens due to erroneous price speculations in 2008 in advance of a massive wave of imports of expensive Brazilian boneless leg cuts. With the present import price lower than the previous year, coupled the with strong yen, post is not certain at present to what extent Japanese importers are planning to cut back their second half purchases from Brazil (See Table 3-a.). The average import price of bulk cuts of broiler meat in 2008 was 57% higher than 2007 at USD $3.07. However, during the first half of 2009 the average CIF price has come down to USD $2.78.

Opportunities for U.S. broiler meat to expand further in the Japanese market are limited by a shortage in the supply of boneless leg cuts. Thus, imports of U.S. broiler meat (mostly bone-in legs) to Japan in 2009 are projected to be lower than the previous year at 21,000 MT.

Meanwhile, solid household consumption for domestic broiler meat (retail sector), combined with prices lower than the previous year, have continued through the first half of 2009 (See table 1, also, table 2-a. and 2-b.). Therefore, domestic boiler outputs through 2009 are expected to remain at relatively high levels, with the annual total projected to reach around 1.26 million MT. Various subsidy programs implemented in JFY 2008 and 2009, including the feed price subsidy scheme (JA8041), will also support the situation noted above and likely delay producers' response to weaker market prices. However, industry sources predict that sales competitions from domestic broiler meat with increased supplies of low-priced pork and beef cuts will intensify in the second half of 2009.

Imports of Cooked Products Forecast to Remain Solid in 2009

Chinese exports of cooked broiler products to Japan are not expected to recover fully in 2009 from the set back suffered following a series of food safety related incidents and scandals in Japan. The scandals were not necessarily specific to broiler products, but rather other products such as dumplings and infant milk. However, Thai products have successfully filled the gap created in Japan’s ready to eat market with the imports from China down 6% to 60,529 MT. Imports from Thailand are up 12% for the same product at 85,107 MT in the first half of 2009 (See Table 5-b). This market segment is particularly price sensitive and is expected to compete with ample supplies of low priced domestic broiler breast meat, which are further processed into ready to eat food items.

Table 1. Japanese Household Consumption of Livestock Products YTD

	Beef				Pork			
	Expend.		Quantity		Expend.		Quantity	
	Yen	% Chg.	**gram**	% Chg.	**Yen**	% Chg.	**gram**	% Chg.
2004	20,918	-2%	7,059	-10%	23,362	7%	17,304	6%
2005	21,324	2%	7,195	2%	23,191	-1%	17,407	1%
2006	20,705	-3%	6,891	-4%	23,249	0%	17,305	-1%
2007	20,868	1%	6,869	0%	23,923	3%	17,723	2%
2008	20,885	0%	6,776	-1%	25,555	7%	18,310	3%
2008 (Jan/June)	9,942		3,293		12,581		9,104	
2009 (Jan/June)	9,478	-5%	3,283	0%	12,383	-2%	9,226	1%

	Chicken				Ground Meat			
	Expend.		Quantity		Expend.		Quantity	
	Yen	% Chg.	**gram**	% Chg.	**Yen**	% Chg.	**gram**	% Chg.
2004	10,052	-6%	10,849	-6%	1,717	9%	1,633	3%
2005	10,749	7%	11,647	7%	1,761	3%	1,662	2%
2006	10,871	1%	11,985	3%	1,793	2%	1,669	0%
2007	11,295	4%	12,379	3%	1,835	2%	1,682	1%
2008	12,830	14%	12,661	2%	2,040	11%	1,796	7%
2008 (Jan/June)	6,191		6,245		1,043		940	
2009 (Jan/June)	6,278	1%	6,634	6%	1,057	1%	953	1%
	Ham				Sausages			
	Expend.		Quantity		Expend.		Quantity	
	Yen	% Chg.	**gram**	% Chg.	**Yen**	% Chg.	**gram**	% Chg.
2004	5,838	-5%	3,072	-3%	6,356	-1%	4,976	1%
2005	5,841	0%	3,047	-1%	6,357	0%	4,894	-2%
2006	5,765	-1%	2,977	-2%	6,373	0%	4,877	0%
2007	5,938	3%	3,028	2%	6,613	4%	4,932	1%
2008	5,870	-1%	2,913	-4%	7,211	9%	5,176	5%
2008 (Jan/June)	2,397		1,200		3,539		2,540	
2009 (Jan/June)	2,222	-7%	1,183	-1%	3,519	-1%	2,595	2%
	Bacon							
	Expend.		Quantity					
	Yen	% Chg.	**gram**	% Chg.				
2004	2,061	1%	1,235	2%				
2005	2,157	5%	1,273	3%				
2006	2,263	5%	1,307	3%				
2007	2,362	4%	1,366	5%				
2008	2,428	3%	1,366	0%				
2008 (Jan/June)	1,222		684					
2009 (Jan/June)	1,199	-2%	699	2%				
Source: Ministry of Internal Affairs and Communication Bureau								

Table 2-a) Monthly Average Wholesale Price of Domestic Bone-less Leg YTD

							Unit: Yen per Kg.
Bone-less Leg							
	2006	2007	% chg.	2008	% chg.	2009	% chg.
Jan.	619	666	8%	746	12%	659	-12%
Feb.	599	651	9%	731	12%	608	-17%
Mar.	558	630	13%	745	18%	571	-23%
Apr.	541	629	16%	745	18%	564	-24%
May	525	629	20%	749	19%	583	-22%
Jun.	494	603	22%	740	23%	589	-20%
Jul.	510	589	15%	738	25%	583	-21%
Aug.	520	563	8%	721	28%		

Sep.	534	566	6%	705	25%		
Oct.	578	615	6%	694	13%		
Nov.	593	670	13%	672	0%		
Dec.	638	720	13%	657	-9%		
1st Qtr Ave.	592	649	10%	741	14%	613	-17%
2nd Qtr Ave.	520	620	19%	745	20%	579	-22%
3rd Qtr Ave.	521	573	10%	721	26%		
4th Qtr Ave.	603	668	11%	674	1%		
Year Ave.	559	628	12%	720	15%		
Source: ALIC Monthly Statistics							

Table 2-b) Monthly Average Wholesale Price of Domestic Breast Meat YTD

							Unit: Yen per Kg.
Breast Meat							
	2006	2007	% chg.	2008	% chg.	2009	% chg.
Jan.	234	230	-2%	312	36%	333	7%
Feb.	233	215	-8%	308	43%	285	-7%
Mar.	220	213	-3%	311	46%	251	-19%
Apr.	211	209	-1%	316	51%	231	-27%
May	204	211	3%	329	56%	225	-32%
Jun.	192	211	10%	342	62%	214	-37%
Jul.	205	218	6%	369	69%	211	-43%
Aug.	215	240	12%	368	53%		
Sep.	217	250	15%	357	43%		
Oct.	228	270	18%	358	33%		
Nov.	229	290	27%	348	20%		
Dec.	234	307	31%	339	10%		
1st Qtr Ave.	229	219	-4%	310	41%	290	-7%
2nd Qtr Ave.	202	210	4%	329	56%	223	-32%
3rd Qtr Ave.	212	236	11%	365	55%		
4th Qtr Ave.	230	289	25%	348	21%		
Year Ave.	219	239	9%	338	42%		
Source: ALIC Monthly Statistics							

Table 3-a) Monthly Average Wholesale Price of Brazilian Boneless Leg (Frozen) YTD

Unit: Yen per Kg.							
Imported: Brazilian Bone-less Leg (Frozen)							
	2006	2007	% Chg.	2008	% Chg.	2009	% Chg.
Jan.	415	450	8%	453	1%	368	-19%
Feb.	413	450	9%	453	1%	365	-19%
Mar.	395	450	14%	470	4%	397	-16%
Apr.	391	450	15%	518	15%	440	-15%
May	388	405	4%	539	33%	440	-18%
Jun.	388	435	12%	550	26%	440	-20%
Jul.	388	453	17%	553	22%	432	-22%

Aug.	388	453	17%	562	24%		
Sep.	388	453	17%	570	26%		
Oct.	423	450	6%	517	15%		
Nov.	450	444	-1%	475	7%		
Dec.	450	450	0%	446	-1%		
1st Qtr Ave.	408	450	10%	459	2%	377	-18%
2nd Qtr Ave.	389	430	11%	536	25%	440	-18%
3rd Qtr Ave.	388	453	17%	562	24%		
4th Qtr Ave.	441	448	2%	479	7%		
Year Ave.	406	445	10%	509	14%		
Source: ALIC Monthly Statistics							

Table 3-b) Monthly Average Wholesale Price of American Bone-in Leg (Frozen) YTD

Unit: Yens per kg.							
Imported: U.S. Bone-in Leg (Frozen)							
	2006	2007	% Chg.	2008	% Chg.	2009	% Chg.
Jan.	313	330	5%	445	35%	450	1%
Feb.	313	330	5%	445	35%	450	1%
Mar.	313	330	5%	456	38%	450	-1%
Apr.	309	330	7%	480	45%	450	-6%
May	307	330	7%	491	49%	450	-8%
Jun.	307	332	8%	520	57%	450	-13%
Jul.	307	387	26%	520	34%	450	-13%
Aug.	307	445	45%	520	17%		
Sep.	307	445	45%	520	17%		
Oct.	324	443	37%	500	13%		
Nov.	330	442	34%	500	13%		
Dec.	330	445	35%	500	12%		
1st Qtr Ave.	313	330	5%	449	36%	450	0%
2nd Qtr Ave.	308	331	7%	497	50%	450	-9%
3rd Qtr Ave.	307	426	39%	520	22%		
4th Qtr Ave.	328	443	35%	500	13%		
Year Ave.	314	382	22%	491	29%		
Source: ALIC Monthly Statistics							

Table 4. Monthly Ending Poultry Stocks YTD

							Unit: Metric Ton
	2006	2007	% chg.	2008	% chg.	2009	% chg.
Jan.	134,906	129,058	-4%	121,274	-6%	173,438	43%
Feb.	142,256	123,407	-13%	115,910	-6%	164,380	42%
Mar.	140,687	117,390	-17%	112,518	-4%	154,195	37%
Apr.	147,163	113,498	-23%	112,455	-1%	149,728	33%
May	157,183	119,946	-24%	118,417	-1%	156,411	32%
Jun.	162,635	117,685	-28%	114,552	-3%	153,166	34%

Jul.	163,459	117,583	-28%	129,298	10%		
Aug.	159,694	116,662	-27%	146,668	26%		
Sep.	147,732	119,877	-19%	153,071	28%		
Oct.	137,136	122,106	-11%	170,457	40%		
Nov.	133,603	122,628	-8%	179,521	46%		
Dec.	121,605	117,077	-4%	175,559	50%		
Source: ALIC Monthly Statistics							
Note: Figures represents the poultry meat estimates. Over 70 % is imported poultry cuts.							
Majority is imported broiler cuts.							

Table 5-a) Japanese Imports of Broiler Meat YTD

Unit: Metric Ton (Customs Clearance Basis)									
					% Chg.	Share			% Chg.
Rank	Country	2006	2007	2008	- 08/07 -	- 08 -	2008	2009	- 09/08 -
		Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/June	Jan/June	Jan/June
0	--World--	370,672	351,779	426,092	21%	100%	180,499	169,963	-6%
1	Brazil	337,471	323,641	396,528	23%	93%	166,673	159,022	-5%
2	United States	27,438	22,916	23,866	4%	6%	12,153	8,737	-28%
3	Philippines	358	3,518	2,962	-16%	1%	1,083	1,396	29%
4	Others	5,406	1,703	2,736	61%	1%	591	808	37%
Source of data: Japan Customs (World Trade Atlas)									

Table 5-b) Japanese Imports of Prepared Broiler Products YTD

Unit: Metric Ton (Customs Clearance Basis)									
					% Chg.	Share			% Chg.
Rank	Country	2006	2007	2008	- 08/07 -	- 08 -	2008	2009	- 09/08 -
		Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/June	Jan/June	Jan/June
0	--World--	344,971	344,147	310,515	-10%	100%	141,868	146,953	4%
1	Thailand	148,274	142,528	179,639	26%	58%	76,308	85,107	12%
2	China	194,950	200,257	128,173	-36%	41%	64,582	60,529	-6%
3	Others	1,747	1,362	2,703	98%	1%	978	1,316	35%
Source of data: Japan Customs (World Trade Atlas)									